

# What to do when you inherit a Vanguard Variable Annuity

The Vanguard Variable Annuity is issued by Transamerica Premier Life Insurance Company and, in New York State only, by Transamerica Financial Life Insurance Company.

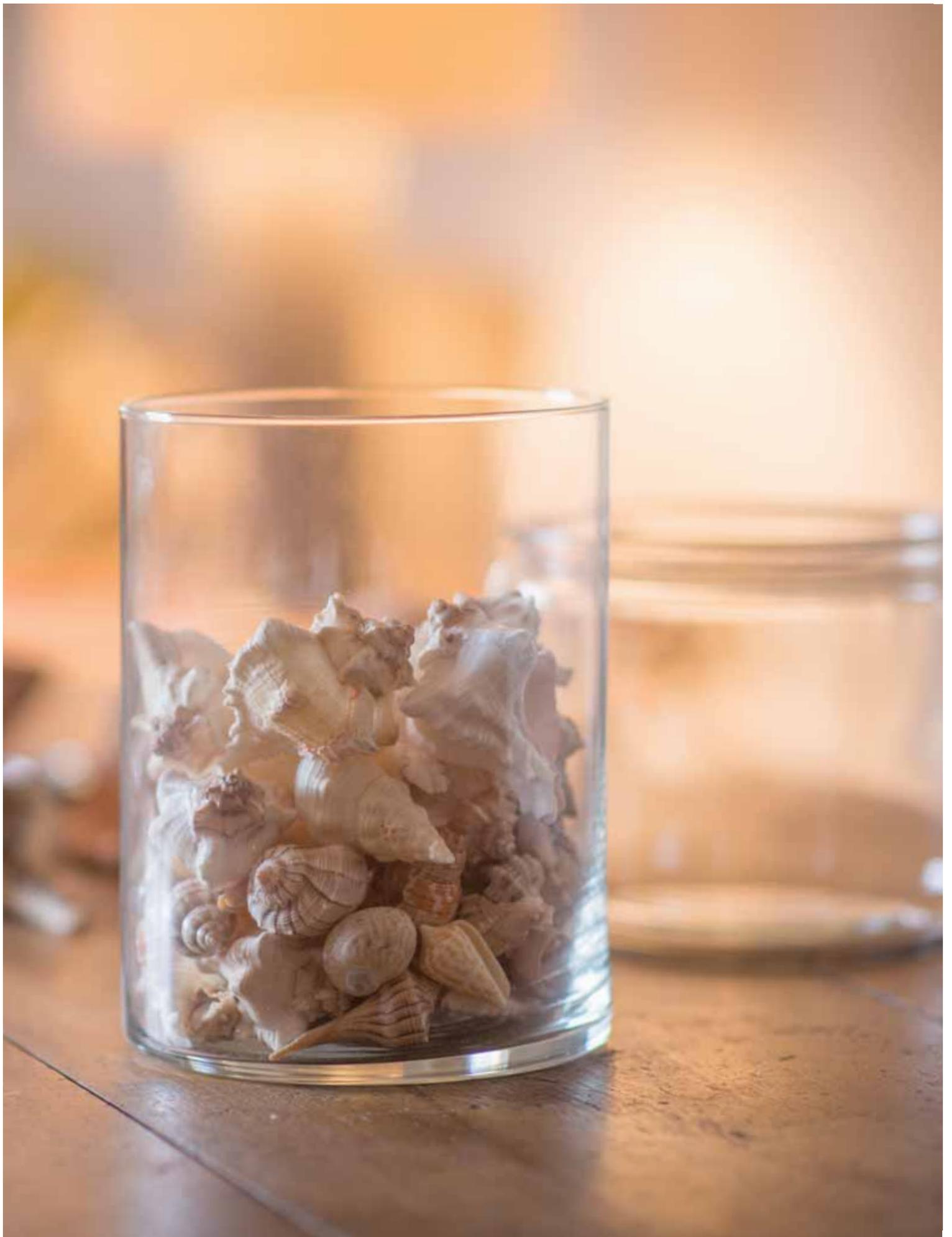


**Vanguard**<sup>®</sup>



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During this difficult time you may be feeling uncertain about all of the important decisions you suddenly need to make. **We're here to help.**

As the beneficiary of a Vanguard Variable Annuity, you're entitled to your share of the death benefit. What you receive depends on several factors, including whether the owner or annuitant has died, and which death benefit option the owner elected. You may be eligible to receive either:

- The accumulated value of the annuity subaccounts (the portfolios); or
- The guaranteed minimum death benefit, if it's greater than the accumulated value of the subaccounts.

Our licensed annuity specialists can help you understand your rights as a beneficiary and explain your distribution options. We'll answer your questions and guide you through the distribution process so that you can feel confident about your decision.

# Choosing the right option

There are several options for receiving your share of the Vanguard Variable Annuity contract. Depending on the terms of the contract and your relationship to the person who died, you can choose the option that fits your individual situation.

**Spousal continuation.** If you're the spouse of the deceased, you can assume ownership of the annuity. The annuity contract is transferred to you, including any applicable riders and death benefits.\*

**Lump-sum distribution.** You can take your share of the death benefit in a single payment.

**Five-year deferral.** Your share of the accumulated value will remain invested tax-deferred. You can take up to five years from the owner's death to withdraw your share of the assets.

**Annuitization.** You can annuitize your share of the death benefit. By annuitizing, you convert assets into a stream of income payments, which can last for life or for a set number of years. The decision to annuitize is irrevocable, and payments must begin within one year of the original owner/annuitant's death.

**Note:** All earnings are taxable as ordinary income, to you as the beneficiary, in the year that you receive them.

## How deferred variable annuities work

A deferred variable annuity is a long-term, tax-deferred retirement savings vehicle that can be purchased and owned by an individual or a trust. Many variable annuities are purchased with after-tax dollars, but some are funded with rollovers from traditional IRAs or qualified retirement plans.

The owner chooses from a variety of portfolios that the annuity is invested in. The value of the annuity varies depending on the performance of the underlying portfolios.

\*The annuity's underlying portfolios are subject to risk, including the possible loss of the money invested.

## How to claim your benefit

To claim your annuity benefit you need to send us a death certificate that's certified by the state department of health or a bureau of vital statistics. The certificate must bear a raised seal or multicolored stamp and indicate the cause of death. Call us at **800-462-2391** to discuss the distribution options available for your individual situation and the documents required to claim your benefit.

Type of beneficiary	Distribution options	Required documents
Spouse	Lump-sum distribution	Beneficiary Claim Form
	Spousal continuation	
	Five-year deferral*	
	Annuitization	Election of Income Option for Beneficiaries Form
Individual (non-spouse)	Lump-sum distribution	Beneficiary Claim Form For minors, proof of custodianship or guardianship**
	Five-year deferral*	
	Annuitization	Election of Income Option for Beneficiaries Form For minors, proof of custodianship or guardianship**
Trust	Lump-sum distribution	Beneficiary Claim Form and Certificate of Authority for Trusts
	Five-year deferral*	
Estate	Lump-sum distribution	Beneficiary Claim Form and certified letter of testamentary***
	Five-year deferral*	
Organization	Lump-sum distribution	Beneficiary Claim Form and Indemnification and Certification of Corporation/Organization Resolution
	Five-year deferral*	

**Note:** Certain states may have additional requirements that must be met before the claim will be paid.

\*Available only if the original contract owner has died.

\*\*Proof of custodianship for a parent is the minor's birth certificate. Proof of guardianship is a certified court document naming the legal guardian.

\*\*\*A letter of testamentary is an original certified copy of the court appointment of the representative of the estate.

## Understanding the tax consequences

A distribution from an annuity due to a death is considered a withdrawal. There are a number of tax considerations to keep in mind when you make a withdrawal:

- Withdrawals of earnings are taxed as ordinary income in the year that you receive them.
- You can request to have federal and state income taxes (if applicable)\* withheld from your withdrawals.
- Withdrawals of after-tax contributions, known as cost basis, aren't subject to ordinary income tax.
- If you're the spouse of the person who died, you may be able to allow the annuity assets to continue to accumulate on a tax-deferred basis.
- Your taxable distributions will be reported on IRS Form 1099-R, which will be mailed to you each year by January 31.



# We're here to help

Call our licensed annuity specialists at **800-462-2391** to discuss your distribution options. We can help you decide which option is right for you and assist you in completing the necessary paperwork.

If you have questions about the tax implications of inheriting an annuity, you should consult a tax advisor or attorney. Neither Vanguard nor Transamerica can offer tax advice or recommend a specific annuity distribution option.

## KEY TERMS

### **Accumulation phase**

The period from when the annuity contract is purchased to when it's converted into an income stream.

### **Accumulated value**

The initial premium payment plus any additional premium payments received—less any fees, partial withdrawals, and applicable premium taxes withheld. The accumulated value also reflects the investment performance of the contract's allocated subaccounts.

### **Annuitant**

The individual, designated by the contract owner, upon whose life annuity any payments are determined. There may also be a joint annuitant.

### **Annuitization**

The irrevocable conversion of a contract's accumulated value into an income stream that lasts for a specified period.\*

### **Beneficiary or beneficiaries**

The person or persons designated by a contract owner to receive the accumulated value or death benefit, if applicable.

### **Certified death certificate**

The document that provides legal proof of death. A certified copy of the death certificate must be provided to claim your annuity benefit.

### **Contract owner**

The purchaser of the variable annuity contract.

### **Death benefit**

An annuity contract option whereby the beneficiary receives a specified amount if the annuitant dies in the accumulation phase of the variable annuity.

\*The guarantee, which is available only for fixed income payments, is subject to the claims-paying ability of the issuing insurance company and not the performance of the underlying investments.



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The Vanguard Variable Annuity is a flexible-premium variable annuity issued by Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (NAIC No. 66281), and, in New York State only, by Transamerica Financial Life Insurance Company, Harrison, New York (NAIC No. 70688). Form No. VVAP U 1101 (in Florida, Form No. VVAP U 1101 (FL), in Oregon, Form No. VVAP U 1101 (OR) (R), and in New York, VVA NY 0208(R13)). GLWB Rider Form No. RGMB 43 0811 (in Florida, RGMB 43 0811 (SI)(FL), RGMB 43 0811 (JT) (FL), in Oregon, RGMB 43 0811 (SI)(OR), RGMB 43 0811 (JT)(OR), and in New York, RGMB 43 0811 (SI) (NY)(REV), RGMB 43 0811 (JT)(NY)(REV)). Return of Premium Death Benefit Rider Form No. VVA RP 0811 (in Florida, VVA RP 0811 (FL), in Oregon, VVA RP 0811 (OR), and in New York, VVA RP 0811 (NY)(REV)), without agent representation. Policy and rider form numbers may vary by state and may not be available in all states. The Vanguard Group administers the Vanguard Variable Annuity for the issuer. Its variable annuity and investment costs rank among the lowest in the industry, according to Morningstar, Inc., December 2013.

The Vanguard Variable Annuity has an average expense ratio of 0.57%; excludes fees for optional riders. Actual expense ratios for the Vanguard Variable Annuity range from 0.46% to 0.77%, depending on the investment allocation. The expense ratio includes an administrative fee of 0.10% and a mortality and expense risk fee of 0.195%. The expense ratio excludes additional fees that would apply if the Return of Premium Death Benefit Rider or Guaranteed Lifetime Withdrawal Benefit Rider is elected. In addition, contracts with balances under \$25,000 are subject to a \$25 annual maintenance fee.

The Vanguard Group, Transamerica Premier Life Insurance Company, and Transamerica Financial Life Insurance Company do not provide tax advice. Investors are encouraged to consult a tax advisor for information on how annuity taxation applies to their individual situations.

For federal tax purposes, married same-sex individuals are recognized as "spouses." The IRS has adopted a rule providing that the term "spouse" doesn't include an individual who has entered into a registered domestic partnership, civil union, or other similar relationship. The statutes of these relationships for state purposes may vary based on the applicable state law. Vanguard Variable Annuity contracts will be administered consistently with the IRS rulings. Investors are encouraged to consult a tax advisor prior to purchasing an annuity to discuss how exercising spousal continuation benefits under this contract or any riders will affect you for both federal and state tax purposes. Please refer to the Vanguard Variable Annuity prospectus for more information.

**For more information about Vanguard variable annuity products, visit [vanguard.com](http://vanguard.com), or call 800-462-2391, to obtain fund and variable annuity contract prospectuses. Investment objectives, risks, charges, expenses, and other important information about the product are contained in the prospectuses; read and consider them carefully before investing.**